

2011/2012

ANNUAL REPORT

Overberg District Municipality



OVERBERG

DISTRICT MUNICIPALITY



FINANCIAL STATEMENTS

30 JUNE 2012

OVERBERG DISTRICT MUNICIPALITY

Index

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OVERBERG DISTRICT MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

GENERAL INFORMATION

NATURE OF BUSINESS

Overberg Municipality is a district municipality performing the functions as set out in the Constitution. (Act no 108 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Overberg Municipality includes the following areas:

*Cape Agulhas
Overstrand
Swellendam
Theewaterskloof*

MUNICIPAL MANAGER

M P Du Plessis

ACTING CHIEF FINANCIAL OFFICER

J J Burger

REGISTERED OFFICE

26 Long Street, Bredasdorp, 7280

AUDITORS

Office of the Auditor General (WC)

PRINCIPLE BANKERS

First National Bank

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALGBC Leave Regulations

OVERBERG DISTRICT MUNICIPALITY

MEMBERS OF THE OVERBERG DISTRICT MUNICIPALITY

COUNCILLORS

Theewaterskloof	<i>CD November</i>
Overstrand	<i>NM Sapepa</i>
Cape Agulhas	<i>PN Atyhosi</i>
Overstrand	<i>PJ May</i>
Theewaterskloof	<i>UT Sipunzi</i>
Overstrand	<i>DP Coetzee</i>
Theewaterskloof	<i>IM Sileku</i>
Cape Agulhas	<i>JG Nieuwoudt</i>
Theewaterskloof	<i>KJ Tiemie</i>
Theewaterskloof	<i>ML Hector</i>
Overstrand	<i>A Coetsee</i>
Swellendam	<i>J Du Toit Loubser</i>
Proportional	<i>M Damon</i>
Proportional	<i>S Tebele</i>
Proportional	<i>J Gelderblom</i>
Proportional	<i>L De Bruyn</i>
Proportional	<i>A Franken</i>
Proportional	<i>D Oosthuizen</i>
Proportional	<i>D Du Toit</i>
Proportional	<i>J Kriel</i>
Proportional	<i>DC Ruiters</i>

APPROVAL OF FINANCIAL STATEMENTS

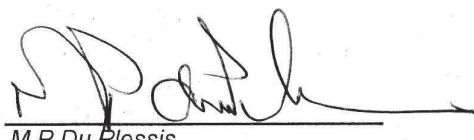
I am responsible for the preparation of these annual financial statements year ended 30 June 2012, which are set out on pages 1 to 63 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2012 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



M P Du Plessis
Municipal Manager

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Date

31/8/2012

OVERBERG DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

	Notes	2012 (Actual) R	2011 (Restated) R
NET ASSETS AND LIABILITIES			
Net Assets		(27 930 473)	(21 039 317)
Accumulated Deficit		(27 930 473)	(21 039 317)
Non-Current Liabilities		57 810 371	52 498 365
Long-term Liabilities	2	1 980 446	3 410 915
Employee benefits	3	49 185 635	43 079 624
Non-Current Provisions	4	6 644 290	6 007 826
Current Liabilities		14 115 711	18 220 721
Consumer Deposits	5	20 080	22 570
Current Employee benefits	6	6 836 922	6 979 828
Payables from exchange transactions	7	1 607 047	6 043 533
Unspent Conditional Government Grants and Receipts	8	2 111 705	3 619 870
Operating Lease Liability	17.1	-	4 433
Cash and Cash Equivalents	18	2 109 488	-
Current Portion of Long-term Liabilities	2	1 430 469	1 550 486
Total Net Assets and Liabilities		43 995 609	49 679 768
ASSETS			
Non-Current Assets		38 217 333	45 133 026
Property, Plant and Equipment	10	35 831 289	42 705 469
Intangible Assets	11	344 300	389 136
Capitalised Restoration Cost	12	1 710 913	1 810 260
Non-Current Investments	13	330 832	228 160
Current Assets		5 778 275	4 546 742
Inventory	14	1 138 542	860 835
Assets held for sale		2 213 342	-
Receivables from exchange transactions	15	683 444	160 300
Receivables from non-exchange transactions	16	1 446 503	1 603 019
Unpaid Conditional Government Grants and Receipts	8	41 532	-
Taxes	9.3	113 761	492 779
Cash and Cash Equivalents	18	141 151	1 429 810
Total Assets		43 995 609	49 679 768

OVERBERG DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 (Actual) R	2011 (Restated) R	Correction of error R	2011 (Previously reported) R
REVENUE					
Revenue from Non-exchange Transactions		81 557 411	78 291 009	(3 708 073)	81 999 081
Transfer Revenue		81 557 411	78 290 009	(3 708 073)	81 998 081
Government Grants and Subsidies	19	81 539 618	78 290 009	(3 708 073)	81 998 081
Public Contributions and Donations		17 793	-		
Other Revenue		-	1 000	-	1 000
Fines		-	1 000	-	1 000
Revenue from Exchange Transactions		18 750 374	20 160 098	(58 850)	20 218 948
Service Charges	20	2 171 796	4 509 567		4 509 567
Rental of Facilities and Equipment		10 537 287	10 491 898	(42 350)	10 534 248
Interest Earned - external investments		337 611	523 166	-	523 166
Interest Earned - outstanding debtors		3 365	2 066	-	2 066
Licences and Permits		9 940	8 985	-	8 985
Agency Services		3 403 563	3 726 693	-	3 726 693
Other Income	21	2 109 246	812 734	(16 500)	829 234
Dividends received		2 995	2 282	-	2 282
Dividends in specie		174 571	-	-	-
Fair Value Gains		-	82 708	-	82 708
Total Revenue		100 307 785	98 451 107	(3 766 923)	102 218 029
EXPENDITURE					
Employee related costs	22	50 864 217	52 207 413	-	52 207 413
Remuneration of Councillors	23	4 204 577	3 753 899	-	3 753 899
Debt Impairment	24	652 743	3 301 881	-	3 301 881
Depreciation and Amortisation	25	2 662 092	2 649 222	(293 291)	2 942 512
Impairments	26	2 471 364	40 992	(241 709)	282 701
Repairs and Maintenance		15 866 173	15 907 887	-	15 907 887
Actuarial losses	3	3 451 166	6 313 446	-	6 313 446
Fair Value losses		71 899	-	-	-
Finance Charges	27	1 130 850	1 619 700	(1 252 730)	2 872 430
Contracted services		773 524	1 463 307	-	1 463 307
Grants and Subsidies	28	12 250	310 502	-	310 502
Operating Grant Expenditure		3 558 125	2 948 093	-	2 948 093
General Expenses	29	21 479 962	23 590 958	(3 726 693)	27 317 651
Total Expenditure		107 198 941	114 107 300	(5 514 423)	119 621 723
NET DEFICIT FOR THE YEAR		(6 891 156)	(15 656 193)	1 747 500	(17 403 693)

OVERBERG DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R
Balance at 1 JULY 2010	759 086	(20 143 814)	(19 384 728)
Correction of DAC Admin Costs on 30 June 2010 - Refer to note 30.04		(18 000)	(18 000)
Correction of error on fixed asset register - Refer to note 30.07		3 220 439	3 220 439
Correction of receivables from non - exchange transactions - Refer to note 30.04		(46 715)	(46 715)
Correction of provision for rehabilitation of landfill site - Refer to note 30.01		21 788 444	21 788 444
Correction of capitalised restoration cost - Refer to note 30.01		(13 771 823)	(13 771 823)
Correction of accumulated depreciation on landfill site - Refer to note 30.02		2 754 742	2 754 742
Correction of accumulated impairment of landfill site - Refer to note 30.02		74 517	74 517
Restated balance on 1 JULY 2010	759 086	(6 142 210)	(5 383 124)
Net Deficit for the year		(15 656 193)	(15 656 193)
Transferred to accumulated deficit	(759 086)	759 086	-
Balance at 30 JUNE 2011	-	(21 039 317)	(21 039 317)
Net Deficit for the year		(6 891 156)	(6 891 156)
Balance at 30 JUNE 2012	-	(27 930 473)	(27 930 473)

OVERBERG DISTRICT MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Notes	30 JUNE 2012 R	30 JUNE 2011 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		19 285 277	19 692 248
Government - operating		79 931 077	77 594 216
Interest		340 976	525 232
Dividends		2 995	2 282
Payments			
Suppliers and employees		(100 572 794)	(96 717 893)
Finance charges	27	(492 019)	(837 594)
Transfers and Grants		(12 250)	(310 502)
Cash generated by operations	32	(1 516 738)	(52 013)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	10	(311 771)	(416 460)
Proceeds on Disposal of Fixed Assets		-	-
Purchase of Intangible Assets		(16 662)	(103 215)
Net Cash from Investing Activities		(328 434)	(519 675)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(1 550 486)	(2 907 180)
Increase(Decrease) in Consumer Deposits		(2 490)	8 095
Net Cash from Financing Activities		(1 552 976)	(2 899 085)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(3 398 147)	(3 470 773)
Cash and Cash Equivalents at the beginning of the year		1 429 810	4 900 583
Cash and Cash Equivalents at the end of the year	18	(1 968 338)	1 429 810
NET INCREASE IN CASH AND CASH EQUIVALENTS		(3 398 147)	(3 470 773)

OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8,10 and 11 of GRAP 3 (Revised – February 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 3 (Revised – Mar 2012)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 9 (Revised – Mar 2012)	Revenue from Exchange Transactions	1 April 2013
GRAP 12 (Revised – Mar 2012)	Inventories	1 April 2013
GRAP 13 (Revised – Mar 2012)	Leases	1 April 2013
GRAP 16 (Revised – Mar 2012)	Investment Property	1 April 2013
GRAP 17 (Revised – Mar 2012)	Property, Plant and Equipment	1 April 2013
GRAP 21 (Original – Mar 2009)	Impairment of non-cash-generating assets	1 April 2012
GRAP 23 (Original – Feb 2008)	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 25 (Original – Nov 2009)	Employee Benefits	1 April 2013
GRAP 26 (Original – Mar 2009)	Impairment of cash-generating assets	1 April 2012
GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar 2012)	Intangible Assets	1 April 2013
GRAP 104 (Original – Oct 2009)	Financial Instruments	1 April 2012
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013

OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure.

1.7. PRESENTATION OF BUDGET INFORMATION

As noted, GRAP 24 is not effective yet, however budget information required in terms of GRAP 1 (Revised – March 2012) paragraph 11 to 14 have been disclosed in the financial statements. The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury.

OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 6 (Revised – Nov 2010)	<p>Consolidated and Separate Financial Statements</p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.</p>	Unknown
GRAP 7 (Revised – Mar 2012)	<p>Investments in Associate</p> <p>This Standard prescribes the accounting treatment for investments in joint ventures where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	1 April 2013
GRAP 8 (Revised – Nov 2010)	<p>Interest in Joint Ventures</p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p>	Unknown
GRAP 18 (Original – Feb 2011)	<p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>Information to a large extent is already included in the appendices to the annual financial statements which do not form part of the audited financial statements.</p>	Unknown
GRAP 24	<p>Presentation of Budget Information in Financial Statements</p>	1 April 2012

OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

(Original – Nov 2007)	<p>This Standard requires a comparison of budget mounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities that are required to, or elect to, make publicly available their approved budget(s) and for which they are, therefore, held publicly accountable. The Standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts.</p> <p>Information to a large extent is already included in the notes to the annual financial statements and the impact is assessed to not be significant.</p>	
GRAP 103 (Original – July 2008)	<p>Heritage Assets</p> <p>The objective of this Standard is to prescribe the accounting treatment for heritage assets and related disclosure requirements.</p> <p>No adjustments necessary as the Municipality has no significant heritage assets other than the assets currently accounted for in terms of GRAP 17.</p>	1 April 2012
GRAP 105 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	Unknown
GRAP 106 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Not Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	Unknown
GRAP 107 (Original – Nov 2010)	<p>Mergers</p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	Unknown
IGRAP 12	Jointly Controlled Entities non-monetary	

OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	<p>contributions</p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venture to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	
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These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.8. RESERVES

1.8.1 Employee Benefits Reserve

The aim of the reserve is to ensure sufficient cash resources are available for the future payment of employee benefits. Contributions equal to the short term portion of employee benefits, plus 5% of the prior year closing balance of long term employee benefits is contributed to the reserve from accumulated surplus/(deficit).

1.9. LEASES

1.9.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.9.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.11. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grant is receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.10 UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.12. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The Municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented.

OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be de-recognised..

1.13. EMPLOYEE BENEFITS

(a) *Post-Retirement Medical Obligations*

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) *Long Service Awards*

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

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(c) *Ex gratia Gratuities*

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(d) *Provision for Staff Leave*

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(e) *Staff Bonuses Accrued*

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

(f) *Provision for Performance Bonuses*

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

(g) *Pension and retirement fund obligations*

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available

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to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

(h) Other Short-term Employee Benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.14. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The amount of borrowing costs that the Municipality capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. . Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.15. PROPERTY, PLANT AND EQUIPMENT

1.15.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.15.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.15.3 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Land and Buildings are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.15.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

Infrastructure	Years	Other	Years
Roads and Paving	30	Buildings	50-100
Electricity	20-30	Other vehicles	20
Water	20-30	Office equipment	6-25
Sewerage	30	Furniture and fittings	7-30
Housing	100	Watercraft	25

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<u>Community</u>		Bins and containers	25-50
Buildings	50-100	Specialised plant and	
Recreational Facilities	30-100	Equipment	5-35
Security	-5-20	Other plant and	
Halls	100	Equipment	5-35
Libraries	100	Landfill sites	15-120
Parks and gardens	30-100	Emergency equipment	5-35
Other assets	5-35	Computer equipment	5-15
<u>Finance lease assets</u>			
Office equipment	5		
Other assets	5		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.15.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2010.

1.16. INTANGIBLE ASSETS

1.16.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

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The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.16.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.16.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	10
Computer Software Licenses	10

1.16.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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1.16.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2010.

1.17. INVESTMENT PROPERTY

1.17.1 Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.17.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.17.3 Subsequent Measurement – Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

1.17.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be

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capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	100

1.17.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010.

1.18. NON-CURRENT ASSETS HELD FOR SALE

1.18.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.18.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.19.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

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The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.19.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

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- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.20. NON CURRENT INVESTMENTS

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.21. INVENTORIES

1.21.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories shall be recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their

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current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.21.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.22. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions).

1.22.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.22.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.22.2.2 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

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For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.22.2.3 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.22.2.4 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

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1.22.3 De-recognition of Financial Instruments

1.22.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.22.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.22.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.23. REVENUE

1.23.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of

OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.23.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. . The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When

OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.24. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.25. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost

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incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.28. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury. The presentation of budget information is in line with the basis of accounting as per the GRAP Framework. GRAP 24: Presentation of Budget Information in Financial Statements is not yet effective. This standard brings new rules in respect of presentation of budget information.

1.29. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post-retirement medical obligations, Long service awards and Ex gratia gratuities

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

are disclosed in note 4 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Revenue Recognition

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (borrowing rate) linked to prime was used to calculate the effect of time value of money.

OVERBERG DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Provision for Task Implementation

The provision at 30 June for Task Implementation represents the Municipality's obligation towards qualifying officials as a result of a new national grading system for municipalities which came into effect on 1 October 2009. The calculation was based on the difference between the current basic salary compared to the basic salary as per new TASK grading. The difference between these two packages was backdated to the implementation date of the TASK grading system.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.30. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.30. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.31. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2

LONG-TERM LIABILITIES

	2012 R	2011 R
Annuity Loans - At amortised cost	2 618 380	3 220 274
Capitalised Lease Liability - At amortised cost	792 534	1 741 127
	3 410 915	4 961 400
Current Portion transferred to Current Liabilities	1 430 469	1 550 486
Annuity Loans - At amortised cost	660 080	601 893
Capitalised Lease Liability - At amortised cost	770 389	948 592
Total Long-term Liabilities - At amortised cost using the effective interest rate method	1 980 446	3 410 915

Refer below for maturity dates of long term liabilities:

The obligations under annuity loans are scheduled below:

Amounts payable under annuity loans:

	Minimum annuity payments	
Payable within one year	890 438	890 438
Payable within two to five years	1 877 838	2 768 276
Payable after five years	542 181	542 181
	3 310 457	4 200 895
Less: Future finance obligations	692 077	980 621
Present value of annuity obligations	2 618 380	3 220 274

Annuity loans at amortised cost is calculated at 13.22% interest rate, with a maturity date of 30 June 2015.
The loan is unsecured .

The obligations under finance leases are scheduled below:

Amounts payable under finance leases:

	Minimum lease payments	
Payable within one year	836 448	1 152 067
Payable within two to five years	22 466	858 910
Payable after five years	-	-
	858 914	2 010 978
Less: Future finance obligations	66 380	269 851
Present value of lease obligations	792 534	1 741 127

Leases are secured by property, plant and equipment - Note 10

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
3 EMPLOYEE BENEFITS		
Post Retirement Benefits - Refer to Note 3.1	45 670 123	40 112 942
Long Service Awards - Refer to Note 3.2	3 515 512	2 966 682
Total Non-current Employee Benefit Liabilities	49 185 635	43 079 624
 <u>Post Retirement Benefits</u>		
Balance 1 July	42 471 302	34 892 256
Current service cost	1 227 026	658 426
Interest Cost	3 494 648	3 120 814
Expenditure for the year	(2 283 236)	(2 026 884)
Actuarial Loss	3 257 031	5 826 690
Total post retirement benefits 30 June	48 166 771	42 471 302
<u>Less:</u> Transfer of Current Portion - Note 6	(2 496 648)	(2 358 360)
Balance 30 June	45 670 123	40 112 942
 <u>Long Service Awards</u>		
Balance 1 July	3 417 827	2 656 980
Current service cost	403 963	242 499
Interest Cost	246 612	233 394
Expenditure for the year	(376 447)	(201 802)
Actuarial Loss	194 136	486 756
Total long service 30 June	3 886 091	3 417 827
<u>Less:</u> Transfer of Current Portion - Note 6	(370 579)	(451 145)
Balance 30 June	3 515 512	2 966 682
 <u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
Balance 1 July	45 889 129	37 549 236
Contribution for the year	1 630 989	900 925
Interest cost	3 741 260	3 354 208
Expenditure for the year	(2 659 682)	(2 228 686)
Actuarial Loss	3 451 166	6 313 446
Total employee benefits 30 June	52 052 862	45 889 129
<u>Less:</u> Transfer of Current Portion - Note 6	(2 867 227)	(2 809 505)
Balance 30 June	49 185 635	43 079 624
 3.1 Post Retirement Benefits		
The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
In-service (employee) members	112	110
Continuation members (e.g. Retirees, widows, orphans)	92	96
Total Members	204	206

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The liability in respect of past service has been estimated to be as follows:

	2012 R	2011 R
In-service members	13 165 926	10 271 948
Continuation members	35 000 845	32 199 354
Total Liability	48 166 771	42 471 302

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2010 R	2009 R
Total Liability	34 892 256	33 204 939

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
LA Health;
Samwumed; and
Keyhealth.

Key actuarial assumptions used:

	2012	2011
i) Rate of interest		
Discount rate	7.44%	8.46%
Health Care Cost Inflation Rate	6.80%	7.23%
Net Effective Discount Rate	0.60%	1.14%

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

	2012 R	2011 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	45 670 123	40 112 942
Net liability/(asset)	45 670 123	40 112 942

The fund is wholly unfunded.

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	42 471 302	34 892 256
Total expenses	2 438 439	1 752 356
Current service cost	1 227 026	658 426
Interest Cost	3 494 648	3 120 814
Benefits Paid	(2 283 236)	(2 026 884)
Actuarial losses	3 257 031	5 826 690
Present value of fund obligation at the end of the year	48 166 771	42 471 302
Less: Transfer of Current Portion - Note 6	(2 496 648)	(2 358 360)
Balance 30 June	45 670 123	40 112 942

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	13.166	35.001	48.167	

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	16.25	38.791	55.036	14%
Health care inflation	-1%	10.763	31.740	42.503	-12%
Post-retirement mortality	-1 year	13.632	36.475	50.107	4%
Average retirement age	-1 year	14.222	35.001	49.223	2%
Withdrawal Rate	-50%	14.532	35.001	49.533	3%

3.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

	290	278
	2012	2011

Key actuarial assumptions used:

i) Rate of interest

Discount rate	6.43%	7.72%
General Salary Inflation (long-term)	5.97%	6.25%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.43%	1.38%

2012	2011
R	R

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	3 515 512	2 966 682
Net liability	3 515 512	2 966 682

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2010	2009
	R	R
Total Liability	2 455 178	2 408 787

Reconciliation of present value of fund obligation:

	2012	2011
	R	R
Present value of fund obligation at the beginning of the year	3 417 827	2 656 980
Total expenses	274 128	274 091
Current service cost	403 963	242 499
Interest Cost	246 612	233 394
Benefits Paid	(376 447)	(201 802)
Actuarial losses	194 136	486 756
Present value of fund obligation at the end of the year	3 886 091	3 417 827
Less: Transfer of Current Portion - Note 6	(370 579)	(451 145)
Balance 30 June	3 515 512	2 966 682

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (R)	% change
Central assumptions		3.89	
General salary inflation	1.00%	4.16	7%
General salary inflation	-1.00%	3.64	-6%
Average retirement age	-2	3.31	-15%
Average retirement age	2	4.41	14%
Withdrawal rates	-50.00%	4.49	15%

3.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in the principles of GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in an sound financial position with a funding level of 100% (30 June 2009 - 100%). Actuarial valuations also determined that there were a shortfall in the investment return for the 30 June 2010 financial year.

CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 100.3% (30 June 2009 - 103.3%).

DEFINED CONTRIBUTION FUNDS

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

4

NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites

Landfill Sites

Balance 1 July

Balance previously reported

Correction of error - Refer to note 30.01

Unwinding of discounted interest

Balance previously reported

Correction of error - Refer to note 30.01

Total provision 30 June

Balance 30 June

2012 R	2011 R
6 644 290	6 007 826
6 007 826	5 506 922
-	27 295 366
-	(21 788 444)
636 464	500 904
-	1 753 634
-	(1 252 730)
6 644 290	6 007 826
6 644 290	6 007 826

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The municipality has an obligation to rehabilitate the following landfill sites at the end of the expected useful life of the asset. Details of the sites are as follows:

<u>Location</u>	<u>Estimated decommission date</u>	<u>2012 R</u>	<u>2011 R</u>
Karwyderskraal	2042		
Provision for Rehabilitation of Landfill-sites		6 644 290	6 007 826
Total Non-current Provisions		6 644 290	6 007 826

5 CONSUMER DEPOSITS

Electricity	20 080	22 570
Total Consumer Deposits	20 080	22 570

The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.

6 CURRENT EMPLOYEE BENEFITS

Current Portion of Post Retirement Benefits - Note 3	2 496 648	2 358 360.00
Current Portion of Long-Service Provisions - Note 3	370 579	451 145.00
Staff Leave	2 770 862	2 821 451.71
Bonuses	1 198 833	1 348 871.50
Total Current Employee Benefits	6 836 922	6 979 828

The movement in current employee benefits are reconciled as follows:

Staff Leave

Balance at beginning of year	2 821 452	2 620 068
Contribution to current portion	686 138	611 494
Expenditure incurred	(736 728)	(410 110)
Balance at end of year	2 770 862	2 821 452

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Bonuses

Balance at beginning of year	1 348 872	1 049 915
Contribution to current portion	2 363 316	1 348 872
Expenditure incurred	(2 513 354)	(1 049 915)
Balance at end of year	1 198 833	1 348 872

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

7	PAYABLES FROM EXCHANGE TRANSACTIONS	2012 R	2011 R
	Trade Payables	1 073 346	3 254 228
	Payments received in advance	413 630	498 478
	Sundry Deposits	53 746	51 611
	Suspence Accounts	66 325	39 802
	Pension fund shortages	-	2 199 415
	Total Trade Payables	1 607 047	6 043 533

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

Sundry deposits include hall, builders and housing Deposits.

The municipality did not default on any of their payables.

Pension fund shortages

Balance at beginning of year	2 199 415	1 918 213
Contribution to current portion	(2 199 415)	-
Interest Expense	-	281 202
Balance at end of year	0	2 199 415

It was reported that the established investment return of the fund for the past financial year was -0.94%. Local authorities, including the Economic Entity, associated with the fund are under an obligation to contribute pro-rata to the fund such a sum as will make up for any shortfall between the actual earnings and an investment return of 5.5% on all its assets. The municipality received a demand for payment of the said amount plus interest as from 15 February 2010. Accordingly, the comparative figures were restated with the interest portion accruing in the 2009/2010 financial year.

8 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent Grants	2 111 705	3 619 870
National Government Grants	-	1 551 627
Provincial Government Grants	2 111 705	2 068 243
Less: Unpaid Grants	41 532	-
Total Conditional Grants and Receipts	2 070 173	3 619 870

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

9 TAXES

9.1 VAT PAYABLE

VAT Payable	168 483	194 263
Total Vat payable	168 483	194 263

9.2 VAT RECEIVABLE

VAT Receivable	282 245	687 042
Total VAT receivable	282 245	687 042

9.3 NET VAT RECEIVABLE/(PAYABLE)

	113 761	492 779
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VAT is receivable/payable on the cash basis.

OVERBERG DISTRICT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

10 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2012

Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Community R	Lease Assets R	Other R	Total R
Carrying value at 1 July 2011	7 386 158	15 966 797	1 325 908	1 816 123	16 210 484	42 705 469.49
Cost	8 749 722	24 612 747	1 473 492	4 055 654	24 937 706	63 829 322
Original Cost	8 749 722	24 612 747	1 473 492	4 055 654	24 937 706	63 829 322
Accumulated Depreciation on 1 JULY 2011	(1 363 563)	(8 645 951)	(147 584)	(2 239 531)	(8 727 223)	(21 123 852)
Original Accumulated Depreciation	(1 363 563)	(8 645 951)	(147 584)	(2 239 531)	(8 727 223)	(21 123 852)
Acquisitions	15 750	7 254	-	-	288 767	311 771
Transfers from/(to) Non-current Assets Held for Sale - Note 10	(2 004 938)	-	-	-	(208 404)	(2 213 342)
Cost	(2 101 875)	-	-	-	(322 584)	(2 424 459)
Accumulated Depreciation	96 937	-	-	-	114 180	211 117
Depreciation	(66 806)	(826 242)	(16 875)	(748 721)	(884 917)	(2 543 562)
Impairment losses	(171 191)	(121 148)	-	(74 720)	(2 061 988)	(2 429 047)
Cost	(231 244)	(227 270)	-	(172 577)	(4 428 324)	(5 059 415)
Accumulated Depreciation	60 053	106 122	-	97 857	2 366 336	2 630 368
Carrying value at 30 JUNE 2012	5 158 974	15 026 660	1 309 032	992 682	13 343 941	35 831 289
Cost	6 432 353	24 392 732	1 473 492	3 883 077	20 475 565	56 657 218
Accumulated Depreciation	(1 273 379)	(9 366 071)	(164 460)	(2 890 395)	(7 131 624)	(20 825 929)

30 JUNE 2011

Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Community R	Lease Assets R	Other R	Total R
Carrying value at 1 JULY 2010	7 452 697	16 790 420	1 342 737	2 243 139	14 257 360	42 086 353
Cost	8 749 722	24 612 747	1 473 492	4 055 654	24 576 914	63 468 529
Original Cost	6 017 294	24 869 040	1 473 492	4 055 654	23 523 018	59 938 499
Duplicated assets removed from asset register					(179 483)	(179 483)
Disposed assets re-instated					292 666	292 666
Assets Identified for the first time	2 739 200				677 648	3 416 848
Reclassification of assets	(6 773)	(256 292)			263 065	-
Accumulated Depreciation	(1 297 024)	(7 822 328)	(130 755)	(1 444 053)	(7 944 210)	(18 638 370)
Original Accumulated Depreciation	(1 288 043)	(7 873 798.32)	(130 755)	(1 444 053)	(7 642 547)	(18 379 196)
Assets removed/re-instated and changes in useful lives	14 687				(125 310)	(110 623)
Assets Identified for the first time	(23 668)				(124 883)	(148 550)
Reclassification of assets		51 471			(51 471)	-
Acquisitions	-	-	-	-	416 272	416 272
Transfers from/(to) Intangible Assets - Note 16	-	-	-	-	42 755	42 755
Cost	-	-	-	-	43 590	43 590
Accumulated Depreciation	-	-	-	-	(835)	(835)
Depreciation	(66 539)	(823 623)	(16 829)	(795 478)	(844 621)	(2 547 091)
Normal Depreciation	(63 509)	(823 623)	(16 829)	(795 478)	(797 706)	(2 497 145)
Depreciation first recognition and duplicated assets removed	(3 030)				(46 915)	(49 945)
Carrying value of disposals	-	-	-	-	(36 626)	(36 626)
Cost					(99 070)	(99 070)
Accumulated Depreciation					62 444	62 444
Carrying value at 30 JUNE 2011	7 386 158	15 966 797	1 325 908	1 816 123	16 210 484	42 705 469
Cost	8 749 722	24 612 747	1 473 492	4 055 654	24 937 706	63 829 322
Accumulated Depreciation	(1 363 563)	(8 645 951)	(147 584)	(2 239 531)	(8 727 223)	(21 123 852)

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

11

INTANGIBLE ASSETS

Computer Software

Net Carrying amount at 1 July

	2012 R	2011 R
Net Carrying amount at 1 July	389 136.42	386 015
Cost	710 813	651 187
Accumulated Amortisation	(321 676)	(265 173)
Additions	16 662	59 625
Balance previously reported	-	103 397
Transfer from Accumulated Deficit - Refer to note 30.09	-	(182)
Intangible assets transferred to Property, Plant and Equipment - Refer to note 10	-	(43 590)
Amortisation	(61 499)	(56 504)
Balance previously reported	-	(57 339)
Intangible assets transferred to Property, Plant and Equipment - Refer to note 10	-	835
Net Carrying amount at 30 June	344 300	389 136
Cost	727 475	710 813
Accumulated Amortisation	(383 175)	(321 676)

The following material intangible assets are included in the carrying value above

<u>Description</u>	<u>Remaining Amortisation Period</u>	Carrying Value	
		2012 R	2011 R
Microsoft Office and Windows software	5	344 300	389 136

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
12 CAPITALISED RESTORATION COST		
Net Carrying amount at 1 July	1 810 260	1 909 647
Cost	2 402 151	2 402 151
Balance previously reported	-	16 173 974
Correction of error - Refer to note 30.02	-	(13 771 823)
Accumulated Depreciation	(538 448)	(480 053)
Balance previously reported	-	(3 234 795)
Correction of error - Refer to note 30.02	-	2 754 742
Accumulated Impairments	(53 443)	(12 451)
Balance previously reported	-	(86 968)
Correction of error - Refer to note 30.02	-	74 517
Depreciation	(57 030)	(58 395)
Balance previously reported	-	(401 632)
Correction of error - Refer to note 30.02	-	343 236
Impairment	(42 317)	(40 992)
Balance previously reported	-	(282 701)
Correction of error - Refer to note 30.02	-	241 709
Net Carrying amount at 30 June	1 710 913	1 810 260
Cost	2 402 151	2 402 151
Accumulated Depreciation	(595 479)	(538 448)
Accumulated Impairments	(95 760)	(53 443)
The municipality did not measure the Rehabilitation Costs of the Refuse Sites in the past in terms of Directive 4, issued by the Accounting Standards Board.		
Since the previous reporting period the municipality recognised the all Rehabilitation Cost in line with GRAP 17. Also refer to note 4 for the related Provision raised for Rehabilitation Cost of the refuse sites in the municipal area.		
Refuse tip-sites financed by way of a provision previously not recognised		<u><u>1 810 260</u></u>
13 NON-CURRENT INVESTMENTS		
Unlisted and listed Investment	330 832	228 160
Total Non-Current Investments	<u><u>330 832</u></u>	<u><u>228 160</u></u>
Listed shares are held in public companies. No specific maturity dates and interest rates are applicable to these shares.		
Investments comprise of the following.		
2852 Shares in Pioneer Foods @ R 61.21 per share	168 268	-
2852 Shares in Overberg Agri @ R 57 per share	162 564	228 160
	<u><u>330 832</u></u>	<u><u>228 160</u></u>
14 INVENTORY		
Maintenance Materials - At cost	1 138 542	860 835
Total Inventory	<u><u>1 138 542</u></u>	<u><u>860 835</u></u>

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

15		2012 R	2011 R
	RECEIVABLES FROM EXCHANGE TRANSACTIONS		
	Electricity	55 354	22 915
	Water	9 991	6 765
	Refuse	182 223	6 048
	Housing rental	304 183	240 580
	Sewerage	6 447	6 216
	Creditors paid in advance	395 598	-
	Provincial health function	33 107	18 620
	Balance previously reported	-	-
	Correction of error - Refer to note 30.03	-	18 620
	Provincial roads function	3 950 185	3 157 068
	Accrued Interest	2 995	3 043
	Total Receivables from Exchange Transactions	4 940 083	3 461 256
	Less: Allowance for Doubtful Debts	(4 256 639)	(3 300 956)
	Total Net Receivables from Exchange Transactions	683 444	160 300

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary

Ageing of Receivables from Exchange Transactions:

(Electricity): Ageing

Current (0 - 30 days)	17 070	9 742
31 - 60 Days	12 138	4 393
61 - 90 Days	4 005	299
+ 90 Days	22 141	8 482
Total	55 354	22 915

(Water): Ageing

Current (0 - 30 days)	2 577	2 548
31 - 60 Days	1 683	1 097
61 - 90 Days	730	441
+ 90 Days	5 001	2 678
Total	9 991	6 765

(Refuse): Ageing

Current (0 - 30 days)	2 400	2 400
31 - 60 Days	1 618	1 221
61 - 90 Days	1 080	303
+ 90 Days	177 124	2 124
Total	182 223	6 048

(Sewerage): Ageing

Current (0 - 30 days)	630	210
31 - 60 Days	630	210
61 - 90 Days	630	840
+ 90 Days	4 557	4 956
Total	6 447	6 216

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
<u>(Housing rental): Ageing</u>		
Current (0 - 30 days)	33 690	31 690
31 - 60 Days	15 867	19 363
61 - 90 Days	13 793	7 000
+ 90 Days	240 834	182 527
Total	304 183	240 580
<u>Creditors paid in advance</u>		
Current (0 - 30 days)	395 598	-
	395 598	-
<u>Provincial health function</u>		
Current (0 - 30 days)	33 107	18 620
	33 107	18 620
<u>Provincial roads function</u>		
Current (0 - 30 days)	3 950 185	3 157 068
	3 950 185	3 157 068
<u>(Accrued Interest): Ageing</u>		
Current (0 - 30 days)	2 995	3 043
	2 995	3 043
<u>(Total): Ageing</u>		
Current (0 - 30 days)	4 438 252	3 225 321
31 - 60 Days	31 936	26 284
61 - 90 Days	20 238	8 883
+ 90 Days	449 657	200 767
Total	4 940 083	3 461 256
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	3 300 956	38 452
Contribution to provision/(Reversal of provision)	1 005 617	3 262 504
Bad Debts Written Off	(49 934)	-
Balance at end of year	4 256 639	3 300 956

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

16 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Other Receivables	1 671 140	2 193 681
Electricity Deposits - Provincial clinics	3 874	3 874
Legal fees	35 134	43 650
Sundry Debtors	1 630 362	2 136 444
Balance previously reported	-	2 260 008
Correction of error - Refer to note 30.04	-	(34 500)
Correction of error - Refer to note 30.04	-	(42 350)
Correction of error - Refer to note 30.04	-	(46 715)
Suspense Debtors	1 770	9 713
Total Receivables from Non-Exchange Transactions	1 671 140	2 193 681
Less: Allowance for Doubtful Debts	(224 637)	(590 662)
Total Net Receivables from Non-Exchange Transactions	1 446 503	1 603 019

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	590 662	551 285
Contribution to provision/(Reversal of provision)	(352 873)	39 377
Bad Debts Written Off	(13 152)	-
Balance at end of year	224 637	590 662

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

17 OPERATING LEASE ARRANGEMENTS

17.1 The Municipality as Lessee (Liability)

Balance on 1 July	4 433	2 893
Movement during the year	(4 433)	1 540
Balance on 30 June	-	4 433

At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:

Up to 1 Year	-	49 280
1 to 5 Years	-	16 490
More than 5 Years	-	-
Total Operating Lease Arrangements	-	65 770

18 CASH AND CASH EQUIVALENTS

Assets

Call Investments Deposits	136 951	-
Bank Accounts	-	1 425 809.74
Cash Floats	4 200	4 000.00
Total Cash and Cash Equivalents - Assets	141 151	1 429 810

Liabilities

Bank Accounts	2 109 488	-
Total Cash and Cash Equivalents - Liabilities	2 109 488	-

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

The municipality has the following bank accounts:

Current Accounts

Cash book balance at beginning of year	1 425 810	798 238
Cash book balance at end of year	-	1 425 810

ABSA - Account Number 1780000062

Bank statement balance at beginning of year	199 834	1 693 389
Bank statement balance at end of year	656 214	199 834

FNB - Account Number 62270787412

Bank statement balance at beginning of year	1 216 696	300 002
Bank statement balance at end of year	(2 740 429)	1 216 696

Call Investment Deposits

Call investment deposits consist out of the following accounts:

Call Investments Deposits	136 951	-
	136 951	-

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
19 GOVERNMENT GRANTS AND SUBSIDIES		
Unconditional Grants	41 692 000	40 309 422
Equitable Share	41 692 000	40 309 422
Conditional Grants	39 847 618	37 980 587
Grants and donations	4 288 920	3 882 931
Subsidies	35 558 698	34 097 656
Balance previously reported	-	37 805 729
Correction of error - Refer to note 30.05	-	18 620
Total Government Grants and Subsidies	81 539 618	78 290 009
The municipality does not expect any significant changes to the level of grants.		
19.1 Equitable share		
Opening balance	-	-
Grants received	41 692 000	40 309 422
Conditions met	(41 692 000)	(40 309 422)
Conditions still to be met	-	-
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
19.2 Health and Road Subsidy		
Opening balance	-	-
Grants received	35 558 698	34 097 656
Conditions met	(35 558 698)	(34 097 656)
Conditions still to be met	-	-
Health subsidies was used to fund primary health care services in the municipal area. The road subsidy is utilised to upgrade the provincial road network in the municipal area.		
19.3 Local Government Financial Management Grant (FMG)		
Opening balance	959 846	941 921
Grants received	1 250 000	1 000 000
Conditions met	(2 242 268)	(982 075)
Conditions still to be recovered	(32 422)	959 846
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		
19.4 Municipal Systems Improvement Grant		
Opening balance	527 537	500 427
Grants received	790 000	750 000
Conditions met	(1 326 647)	(722 890)
Conditions still to be recovered	(9 110)	527 537
The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		
19.5 Municipal Infrastructure Grant (MIG)		
Opening balance	64 244	64 244
Conditions met	(64 244)	-
Conditions met - Capital	-	-
Grant expenditure to be recovered	-	64 244

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
19.6 Bulk Waste Water Infrastructure Grant		
Opening balance	305 800	1 000 000
Grants received	-	500 000
Conditions met	(305 800)	(1 194 200)
Grant expenditure to be recovered	-	305 800
	<u> </u>	<u> </u>
19.7 Other Grants		
Opening balance	1 762 443	1 737 956
Grants received	640 379	937 138
Interest received	58 844	71 115
Conditions met	(349 961)	(983 766)
Conditions still to be met	2 111 705	1 762 443
	<u> </u>	<u> </u>
Various grants were received from other spheres of government.		
19.8 Total Grants		
Opening balance	3 619 870	4 244 548
Grants received	79 931 077	77 594 216
Interest received	58 844	71 115
Conditions met	(81 539 618)	(78 290 009)
Conditions still to be met/(Grant expenditure to be recovered)	2 070 173	3 619 870
	<u> </u>	<u> </u>
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	2 111 705	3 619 870
Unpaid Conditional Government Grants and Receipts	(41 532)	-
	<u> </u>	<u> </u>
	<u>2 070 173</u>	<u>3 619 870</u>
20 SERVICE CHARGES		
Refuse removal	1 813 867	4 192 355
Water, Electricity and Sewerage	357 928	317 211
	<u> </u>	<u> </u>
Less: Rebates	-	-
Total Service Charges	<u>2 171 796</u>	<u>4 509 567</u>
21 OTHER INCOME		
Sundry income	2 109 246	812 734
Balance previously reported	-	829 234
Correction of error - Refer to note 30.06	-	(16 500)
	<u> </u>	<u> </u>
Total Other Income	<u>2 109 246</u>	<u>812 734</u>

Sundry income represents sundry income such as building plans, sale of sundry items (wood, sand and stones) and fees for items not included under service charges (camping, fire brigade and impounding fees)

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

22		2012 R	2011 R
	EMPLOYEE RELATED COSTS		
	Salaries and Wages	39 018 235	39 184 635
	Bargaining Council Levy	15 301	15 756
	Bonus	2 065 672	2 800 528
	Contributions for UIF, pensions and medical aids	8 538 995	10 360 812
	Group Life Insurance	746 199	686 639
	Housing Subsidy	212 809	223 522
	Leave Reserve Fund	444 121	611 494
	Long service awards	564 234	570 325
	Overtime	1 765 126	1 870 349
	Post Employment Health	4 721 674	1 752 356
	Skills development levy	420 781	414 980
	Travel, motor car, telephone, assistance and other allowances	3 522 593	3 814 038
	Workmens Compensation Contributions	318 977	358 978
		<hr/> 62 354 716	<hr/> 62 664 414
	Less: Employee Costs allocated elsewhere	(11 490 500)	(10 457 000)
	Total Employee Related Costs	<hr/> 50 864 217 <hr/>	<hr/> 52 207 413 <hr/>
	KEY MANAGEMENT PERSONNEL		
	Municipal Manager and all other Directors are appointed on fixed term contracts.		
	REMUNERATION OF KEY MANAGEMENT PERSONNEL		
	<i>Remuneration of the Municipal Manager - Mr MP Du Plessis</i>		
	Annual Remuneration	264 000	450 000
	Acting allowance as Municipal Manager	-	148 277
	Housing Subsidy	2 326	8 251
	Travelling , car and other allowances	11 057	211 559
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	59 321	105 940
	Total	<hr/> 336 704 <hr/>	<hr/> 924 028 <hr/>
	<i>Remuneration of the Director Technical Services</i>		
	Annual Remuneration	-	692 800
	Back Pay	-	361 468
	Acting allowance as Director Technical Services	-	-
	Performance Bonuses	-	108 686
	Travelling , car and other allowances	-	106 120
	Leave Paid	-	51 840
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	-	177 353
	Total	<hr/> - <hr/>	<hr/> 1 498 267 <hr/>
	<i>Remuneration of the Director Financial Services - Mr RF Butler</i>		
	Annual Remuneration	678 427	245 041
	Back Pay	8 000	-
	Acting allowance as Municipal Manager	83 096	-
	Travelling , car and other allowances	57 368	22 252
	Leave Paid	347 197	-
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	185 647	66 561
	Total	<hr/> 1 359 735 <hr/>	<hr/> 333 854 <hr/>
	<i>Remuneration of the Director Auditing & Financial Modelling</i>		
	Annual Remuneration	-	534 959
	Back Pay	-	123 854
	Performance Bonuses	-	108 686
	Travelling , car and other allowances	-	-
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	-	300 512
	Total	<hr/> - <hr/>	<hr/> 1 068 011 <hr/>
	<i>Remuneration of the Manager Municipal Health - Mr WA Du Toit</i>		
	Annual Remuneration	286 746	-
	Back Pay	2 766	-
	Acting allowance as Director Community Services and Municipal Manager	76 140	-
	Annual Bonus	24 126	-
	Travelling , car and other allowances	159 266	-
	Contributions to UIF, Medical, Pension Funds and Bargaining Council	88 581	-
		<hr/> 637 624 <hr/>	<hr/> - <hr/>

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
Remuneration of the Director Community Services - Mr GW Hermanus		
Annual Remuneration	529 706	-
Back Pay	8 000	-
Travelling , car and other allowances	43 576	-
Leave Paid	29 302	-
Contributions to UIF, Medical, Pension Funds and Bargaining Council	132 684	-
Total	743 269	-
23 REMUNERATION OF COUNCILLORS		
Administrator		217 490
Mayor	606 438	305 385
Deputy Mayor	332 611	433 114
Speaker	544 413	458 332
Mayoral Committee Members	1 588 692	1 351 195
Councillors	1 132 423	988 383
Total Councillors' Remuneration	4 204 577	3 753 899
In-kind Benefits		
The Executive Mayor and all the committee members are full-time. The Mayor are provided with secretarial support and an office at the cost of the Council.		
24 DEBT IMPAIRMENT		
Receivables from exchange transactions - Note 15	1 005 617	3 262 504
Receivables from non-exchange transactions - Note 16	(352 873)	39 377
Total Contribution to Debt Impairment	652 743	3 301 881
25 DEPRECIATION AND AMORTISATION		
Property Plant and Equipment	2 662 092	2 649 222
Balance previously reported	-	2 942 512
Correction of error - Refer to note 30.02	-	(343 236)
Correction of error - Refer to note 30.07	-	49 945
Investment Property	-	-
Intangible Assets	-	-
	2 662 092	2 649 222
26 IMPAIRMENTS		
Landfill Site	42 317	40 992
Balance previously reported	-	282 701
Correction of error - Refer to note 30.02	-	(241 709)
Property,Plant and Equipment	2 429 047	-
	2 471 364	40 992

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
27	FINANCE CHARGES		
	Long-term Liabilities	288 544	493 997
	Bank overdraft	2 366	-
	Finance leases	203 475	343 598
	Tip Site	636 464	500 904
	Balance previously reported	-	1 753 634
	Correction of error - Refer to note 30.01	-	(1 252 730)
	Pension Fund Shortfall	-	281 202
	Total finance charges	1 130 850	1 619 700
28	GRANTS AND SUBSIDIES		
	Grants made	12 250	310 502
	Total Grants and Subsidies	12 250	310 502
29	GENERAL EXPENSES		
	Audit Fees	1 779 109	1 072 023
	Bank Charges	54 472	75 745
	Blades	334 810	403 279
	Burning Fuel	269 609	267 866
	Cleaning materials	75 450	93 611
	Equipment rental	1 151 444	586 808
	Fuel Cost	7 210 733	5 815 300
	Insurance	323 550	478 786
	Legal Cost	416 878	2 581 735
	Membership Fees	315 851	238 951
	Municipal services	3 614 628	3 526 593
	Oil	151 289	117 208
	Printing and stationery	204 995	251 861
	Professional Fees	12 461	95 687
	Projects own funding	-	483 809
	Safety clothes	257 851	236 475
	Security services	3 329	221 785
	Shelters & protection programmes	750	7 000
	Standby Chopper	1 040 906	1 144 578
	Telephone	1 556 443	1 544 541
	Tourism projects	-	218 252
	Training	76 898	214 177
	Travel and subsistence	224 842	462 473
	Tyres	1 118 243	1 505 115
	Youth development	1 599	241 674
	Other	1 283 823	1 705 627
	General Expenses	21 479 962	23 590 958
			2011 R
30	CORRECTION OF ERROR IN TERMS OF GRAP 3		
	The municipality utilised the Transitional Provisions in Directive 4, issued by the Accounting Standards Board, in prior years. Information for the measurement of the applicable items for which the Transitional Provisions were utilised was since obtained and now restated retrospectively. In addition certain errors were detected which relates to prior years and were also restated retrospectively. The effects of these restatements are listed below.		
30.01	NON - CURRENT PROVISION		
	Balance previously reported		29 049 000
	Correction of Landfill Site Provision - Opening Balance - Refer to note 4		(21 788 444)
	Correction of Landfill Site Provision - Prior year interest contribution - Refer to note 4		(1 252 730)
			6 007 826
30.02	CAPITALISED RESTORATION COST		
	Balance previously reported		12 167 879
	Correction of error - Opening Balance - Refer to note 12		(10 942 564)
	Correction of error - Depreciation for prior year - Refer to note 12		343 236
	Correction of error - Impairments for prior year - Refer to note 12		241 709
			1 810 260

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

30.03 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Balance previously reported	3 442 636
Correction of Health Subsidies incorrectly not accrued for on 30 June 2011 - Refer to note 15	18 620
	3 461 256

30.04 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Balance previously reported	2 317 246
Correction of Rental of facilities and equipment on 30 June 2010 - Refer to note 16	(46 715)
Correction of Rental of facilities and equipment on 30 June 2011 - Refer to note 16	(42 350)
Correction of DAC Admin Costs incorrectly accrued on 30 June 2010 - Refer to note 16	(18 000)
Correction of DAC Admin Costs incorrectly accrued on 30 June 2011 - Refer to note 16	(16 500)
	2 193 681

30.05 GOVERNMENT GRANTS AND SUBSIDIES

Balance previously reported	81 998 081
Correction of Health Subsidies incorrectly not accrued for on 30 June 2011 - Refer to note 19	18 620
Correction of agency fees duplicated	(3 726 694)
	78 290 008

30.06 OTHER INCOME

Balance previously reported	829 234
Correction of DAC Admin Costs incorrectly accrued on 30 June 2011 - Refer to note 21	(16 500)
	812 734

30.07 PROPERTY, PLANT AND EQUIPMENT

Balance previously reported	39 492 221
Correction of assets previously removed and re-instated - Refer to note 10	292 666
Correction of assets previously duplicated - Refer to note 10	(179 483)
Correction of assets measured for the first time - Refer to note 10	3 416 848
Correction of accumulated depreciation 30 June 2010 - Refer to note 10	(124 415)
Property, Plant and Equipment transferred from Intangible assets - Refer to note 10	43 590
Property, Plant and Equipment transferred from Intangible assets - Refer to note 10	(835)
Correction of assets previously disposed - Refer to note 10	(99 070)
Correction of accumulated depreciation of assets previously disposed - Refer to note 10	62 444
Correction of accumulated depreciation - Refer to note 10	(49 945)
Correction of accumulated depreciation 30 June 2010 - Refer to note 10	(148 550)
	42 705 469

30.08 INTANGIBLE ASSETS

Balance previously reported	432 073
Transfer from Accumulated Deficit - Refer to note 11	(182)
Intangible assets transferred to Property, Plant and Equipment - Refer to note 11	(43 590)
Intangible assets transferred to Property, Plant and Equipment - Refer to note 11	835
	389 136

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2011	
		R	
30.09	ACCUMULATED DEFICIT		
	Balance previously reported	(36 788 240)	
	Correction of DAC Admin Costs from Accumulated Surplus on 30 June 2010 - Refer to note 30.04	(18 000)	
	Correction of receivables from non - exchange transactions - Refer to note 30.04	(46 715)	
	Correction of assets previously removed and duplicated - Refer to note 30.07	292 666	
	Correction of assets measured for the first time - Refer to note 30.07	3 416 848	
	Correction of accumulated depreciation - Refer to note 30.07	(303 898)	
	Transfer to Intangible Assets - Refer to note 30.08	(182)	
	Correction of accumulated depreciation 30 June 2010 - Refer to note 30.07	(148 550)	
	Correction of assets written off in previous years - Refer to note 30.07	(36 626)	
	Correction of provision for rehabilitation of landfill site - Refer to note 30.01	21 788 444	
	Correction of capitalised restoration cost - Refer to note 30.02	(13 771 823)	
	Correction of accumulated depreciation on landfill site - Refer to note 30.02	2 754 742	
	Correction of accumulated impairment of landfill site - Refer to note 30.02	74 517	
		(22 786 817)	
31	STATEMENT OF FINANCIAL PERFORMANCE		
	Balance previously reported	(17 403 693)	
	Recognition of Depreciation for 2010/2011 - Refer note 30.02	343 236	
	Recognition of Impairments for 2010/2011 - Refer note 30.02	241 709	
	Recognition of Interest Cost on Non - Current Provisions for 2010/2011 - Refer note 30.01	1 252 730	
	Correction of Health Subsidies - Refer to note 30.03	18 620	
	Correction of Rental of facilities and equipment on 30 June 2011 - Refer to note 30.04	(42 350)	
	Correction of DAC Admin Costs - Refer to note 30.04	(16 500)	
	Correction of Accumulated Depreciation - Refer to note 30.07	(49 945)	
	Total	(15 656 193)	
32	RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS	2012	2011
		R	R
	Surplus/(Deficit) for the year	(6 891 156)	(15 656 193)
	Adjustments for:		
	Depreciation	2 600 593	2 592 718
	Amortisation of Intangible Assets	61 499	56 504
	Loss on disposal of property, plant and equipment	-	-
	Debt Impairment	652 743	3 301 881
	Debt Impairment - Long term receivables	-	-
	Contribution to bonuses	(150 038)	298 957
	Contribution to staff leave	(50 590)	201 384
	Contribution from/to employee benefits	5 372 249	4 255 133
	Unwinding of Interest on Provision for Tip Sites	636 464	500 904
	Non-current Employee benefits - expenditure incurred	(2 659 682)	(2 228 686)
	Actuarial Losses	3 451 166	6 313 446
	Fair Value losses	71 899	-
	Impairment written off	2 471 364	40 992
	Grants Received	79 989 921	77 665 331
	Grants Expenditure	(81 539 618)	(78 290 009)
	Operating lease expenses accrued	(4 433)	1 540
	Fair Value gains	-	(82 708)
	Dividends in specie	(174 571)	-
	Operating Surplus/(Deficit) before changes in working capital	3 837 810	(1 028 807)
	Changes in working capital	(5 354 548)	976 795
	Increase/(Decrease) in Trade and Other Payables	(4 436 486)	1 561 604
	Increase/(Decrease) in Taxes	379 017	264 491
	(Increase)/Decrease in Inventory	(277 707)	(28 848)
	(Increase)/Decrease in Trade and other receivables	(1 019 372)	(820 452)
	Cash generated/(absorbed) by operations	(1 516 738)	(52 013)

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R		
33	CASH AND CASH EQUIVALENTS				
	Cash and cash equivalents included in the cash flow statement comprise the following:				
	Call Investments Deposits - Note 18	136 951	-		
	Cash Floats - Note 18	4 200	4 000		
	Bank - Note 18	-	1 425 810		
	Total cash and cash equivalents	(1 968 338)	1 429 810		
34	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES				
	Cash and Cash Equivalents - Note 33	(1 968 338)	1 429 810		
	Investments - Note 13	330 832	228 160		
		(1 637 506)	1 657 970		
	Less:	2 111 705	3 619 870		
	Unspent Committed Conditional Grants - Note 8	2 111 705	3 619 870		
	VAT - Note 9	-	-		
	Resources available for working capital requirements	474 200	(1 961 900)		
	Allocated to:				
	Capital Replacement Reserve	-	-		
	Resources available for working capital requirements	474 200	(1 961 900)		
35	UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION				
	Long-term Liabilities - Note 2	3 410 915	4 961 400		
	Used to finance property, plant and equipment - at cost	(3 410 915)	(4 961 400)		
		-	-		
	Cash set aside for the repayment of long-term liabilities	-	-		
	Cash invested for repayment of long-term liabilities	-	-		
	Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.				
36	BUDGET COMPARISONS				
36.1	Operational	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
	Revenue by source				
	Government Grants and Subsidies	81 539 618	87 762 627	(6 223 009)	(7%)
	Public Contributions and Donations	17 793	-	17 793	100%
	Fines	-	-	-	0%
	Service Charges	2 171 796	2 261 350	(89 554)	(4%)
	Rental of Facilities and Equipment	10 537 287	10 619 287	(82 000)	(1%)
	Interest Earned - external investments	337 611	300 000	37 611	13%
	Interest Earned - outstanding debtors	3 365	2 350	1 015	43%
	Licences and Permits	9 940	10 000	(60)	(1%)
	Agency Services	3 403 563	3 357 690	45 873	1%
	Other Income	2 109 246	1 870 190	239 056	13%
	Dividends received	2 995	5 000	(2 005)	(40%)
	Dividends in specie	174 571	-	174 571	100%
	Fair Value Adjustments	-	-	-	0%
		100 307 785	106 188 494	(5 880 709)	(6%)
	Expenditure by nature				
	Employee Related Costs	50 864 217	52 089 437	1 225 220	(2%)
	Remuneration of Councillors	4 204 577	4 580 314	375 737	(8%)
	Debt Impairment	652 743	589 197	(63 546)	11%
	Depreciation and Amortisation	2 662 092	2 547 637	(114 455)	4%
	Impairments	2 471 364	-	(2 471 364)	(100%)
	Repairs and Maintenance	15 866 173	22 646 753	6 780 580	(30%)
	Actuarial losses	3 451 166	25 000	(3 426 166)	13705%
	Fair Value losses	71 899	-	(71 899)	(100%)
	Finance Charges	1 130 850	2 294 704	1 163 854	(51%)
	Contracted services	773 524	755 000	(18 524)	2%
	Grants and Subsidies	12 250	50 000	37 750	(76%)
	Operating Grant Expenditure	3 558 125	3 380 380	(177 745)	5%
	General Expenses	21 479 962	24 816 488	3 336 526	(13%)
	Loss on disposal of Property,Plant and Equipment	-	-	-	0%
		107 198 941	113 774 910	6 575 969	(6%)
	Net Surplus for the year	(6 891 156)	(7 586 416)	695 260	(9%)

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
36.2 Expenditure by Vote				
Council Expenditure	5 481 857	5 925 690	(443 833)	(7%)
Executive Services	2 551 222	3 806 772	(1 255 550)	(33%)
Donations	12 250	50 000	(37 750)	(76%)
Shared Services	-	-	-	0%
Management Support	1 509 425	1 601 253	(91 828)	(6%)
Audit	437 159	445 272	(8 113)	(2%)
Human Resources	1 227 537	1 290 652	(63 115)	(5%)
Supply Chain Management	1 608 580	1 528 288	80 292	5%
Finance Inc Exp & IT	3 033 641	2 938 169	95 472	3%
Administration	3 495 855	3 681 111	(185 256)	(5%)
Buildings	562 372	493 081	69 291	14%
Financial Services	5 661 572	3 129 298	2 532 274	81%
IDP Projects	-	-	-	0%
Planning Services	2 112 767	2 052 203	60 564	3%
Grants ex Nat Government	1 894 972	2 578 550	(683 578)	(27%)
Grants ex Prov Government	150 000	-	150 000	100%
Fin Man Grant	2 237 345	1 830 000	407 345	22%
Fire Brigade	14 465 855	13 649 667	816 188	6%
Disaster Management	249 935	283 419	(33 484)	(12%)
Municipal Health	8 985 458	9 694 968	(709 510)	(7%)
Human Development	566 577	596 027	(29 450)	(5%)
Velapi Hostel	431	-	431	100%
ABI Fire Fighting	245 666	325 951	(80 285)	(25%)
Environmental Management	146 269	181 704	(35 435)	(20%)
Engineering Services	169 392	10 103	159 289	1577%
Karwyderskraal	2 466 512	4 258 417	(1 791 905)	(42%)
Buffeljachtsbaai	1 222 750	81 269	1 141 481	1405%
Dennehof	3 262 209	3 472 589	(210 380)	(6%)
Die Dam	1 542 026	1 722 910	(180 884)	(10%)
Uilenkraalsmond	6 104 961	6 642 942	(537 981)	(8%)
Comprehensive Health	103 467	148 698	(45 231)	(30%)
Roads - Main & Divisional	35 690 879	41 355 907	(5 665 028)	(14%)
Less Inter-Departmental Charges	-	-	-	0%
	107 198 941	113 774 910	(6 575 969)	(6%)
	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
36.3 Capital expenditure by vote				
Administration	19 335	15 019	4 316	29%
Buildings	47 793	30 000	17 793	59%
Financial Services	8 899	18 000	(9 101)	(51%)
Fire Brigade	180 618	225 000	(44 382)	(20%)
Municipal Health	1 844	40 670	(38 826)	(95%)
Karwyderskraal	10 263	8 510 500	(8 500 237)	(100%)
Dennehof	36 816	122 100	(85 284)	(70%)
Die Dam	22 866	109 430	(86 564)	(79%)
Uilenkraalsmond	-	31 465	(31 465)	(100%)
	328 434	9 102 184	(8 773 750)	(96%)
37 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED			2012 R	2011 R
37.1 Unauthorised expenditure				
Reconciliation of unauthorised expenditure:				
Opening balance			15 119 463	5 016 745
Unauthorised expenditure current year - capital			22 109	101 201
Unauthorised expenditure current year - operating			5 512 624	12 828 202
Unauthorised expenditure current year - Conditional grants utilised for operating expenditure			1 970 554	2 190 060
Written off by council			(15 119 463)	(5 016 745)
Unauthorised expenditure awaiting authorisation			7 505 288	15 119 463

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	None

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

37.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

	2012 R	2011 R
Opening balance	1 921 156	1 637 104
Fruitless and wasteful expenditure current year	-	284 052
Fruitless and wasteful expenditure awaiting further action	<u>1 921 156</u>	<u>1 921 156</u>

Incident	Disciplinary steps/criminal proceedings		
After the Election on 5 March 2006 a new Council was elected. The council decided to end the contract of the Municipal Manager that was valid until November 2007. Cost paid to the Municipal Manager.	None - Council yet to decide	-	1 637 104
Labour dispute - Me W Meyer vs ODM. Compensation to be paid to Me W Meyer	1. Monies to be recovered from Mr GW Hermanus 2. Account was submitted to Mr Hermanus.	-	180 000
Suspension of Mr G W Hermanus.	1. Monies to be recovered from Me M Gilion 2. Account was submitted to Me Gilion.(Ex Mayor)	-	17 872
W Smuts - Settlement for prematurely ending his employment contract after a disciplinary process where he was not at fault.	None - Council yet to decide	-	73 080
W Pekeur - Reimbursement for removal costs, due to the wrongdoing of an acting municipal manager.	None - Council yet to decide	-	13 100
		<u>-</u>	<u>1 921 156</u>

37.3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	10 409 046	4 967 281
Irregular expenditure current year	3 893 092	5 441 765
Written off by council	-	-
Irregular expenditure awaiting further action	<u>14 302 138</u>	<u>10 409 046</u>
Irregular expenditure awaiting condonement by National Treasury	<u>14 302 138</u>	<u>10 409 046</u>

Incident	Disciplinary steps/criminal proceedings		
Overberg Retailers (Pty) - Alcoholic refreshments at Soccer 2010 function	None		9 504
Die Herberg - Function for WC Prov. Gov. Meeting	None		32 124
JWP Thee - Disciplinary Hearing	None		10 000
Highbury Safika Media (Pty)Ltd - Advertisement in Experience SA 2011	None		57 000
D's Services - Finalise legal matters relating to the suspension of GW Hermanus and DC van der Heever	None		136 700
RPL Intelligence Services - Assistance regarding investigations, security and various matters	None		119 518
Build It (Pty) Ltd - Splitting of orders.	None		52 510
Overberg Marine - Splitting of orders.	None		19 573
Invoice dated prior to order date	None	2 389	14 299
Councillors backpay payments made to Councillors on the premise of an election held at an invalid meeting on 9 July 2010	None		605 797
Valid tax clearance certificates no obtained for procurements exceeding R 30 000	None	433 573	820 231
AON South Africa (Pty) Ltd - All supply chain management regulations not followed in the procurement of the contract.	None		530 044
Nashua - All supply chain management regulations not followed in the procurement of the contract.	None	2 214 492	1 853 289
Sufficient quotations not obtained from providers of goods and services	None		407 474
Non-Compliance with section 5(2) of Municipal Supply Chain Management Regulations, 2005 (Delegations)	None		773 702
Evaluation and adjudication criteria applied not consistent with original bid	None	1 082 724	
Three quotations not obtained	None	152 586	
Invoice amount and order amount differ	None	7 328	
		<u>3 893 092</u>	<u>5 441 765</u>

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

37.4	<u>Other Non-Compliance</u>	2012	2011
	<ul style="list-style-type: none"> - Section 126 of MFMA - The municipality must prepare and submit the annual financial statements within 2 months after year end to the Auditor General for auditing. The annual financial statements was only signed on the 30 September 2011 and submitted to the Auditor General. - - The municipality did not comply with section 65 (2) (e) of the MFMA. All reasonable steps to ensure, that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure, was not taken. - The municipality did not comply with the requirements of section 166 of the MFMA regarding the duties and responsibilities of the Audit Committee. - The municipality did not adhere to the provisions of section 165(2)(b) of the MFMA that requires an adequately resourced internal audit unit that executes its plan in an effective and timely manner. - - The municipality did not comply with section 127(2) of the MFMA that requires the mayor to table in council the annual report of the municipality within seven months after the year-end of the municipality. - The municipality did not comply with section 129(3) of the MFMA. This section requires that the accounting officer must in accordance with section 21A of the Municipal Systems Act make public an oversight report within seven days of its adoption. - - The municipality did not comply with regulation 14(1)(a)(ii) of the Municipal Supply Chain Management Regulations, 2005 by using the municipality's website and notice boards to invite prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers. - The municipality entered into transactions with suppliers that were not listed on the municipality's list of prospective suppliers as required by regulation 17 of the Municipal Supply Chain Management Regulations, 2005. - The municipality did not comply with section 25(1) and 28(1) of the Municipal Systems Act, 2000. These sections requires that each municipal council must, within a prescribed period after the start of its elected term, adopt a single, inclusive and strategic plan for the development of the municipality. It further requires that each municipal council, within a prescribed period after the start of its elected term, must adopt a process set out in writing to guide the planning, drafting, adoption and review of its integrated development plan (IDP). - The municipality did not comply with section 16 and 24 of the MFMA. The municipal council did not at least 30 days before the start of the financial year consider approval of the annual budget and the 2010/2011 budget was not tabled on or before 30 June 2010. - - The municipality did not comply with section 39 of the Municipal Systems Act, 2000. No appointments were made as required by this section to manage the development of the municipality's performance management system. No responsibilities were assigned to the municipal manager in this regard. Furthermore, the municipality did not comply with paragraph 7(1) of the Municipal Planning and Performance Management Regulations, 2001 to ensure that the performance management system, processes, procedures and controls are implemented as designed, described and documented. - - The municipality did not comply with section 25 of the Municipal Systems Act, 2000, to ensure that notice are given to the public within 14 days of the adoption of its integrated development plan (IDP). - - The municipality did not comply with regulation 13(c) of the Municipal Supply Chain Management Regulations, 2005. In some cases, goods and services with a transaction value exceeding R10 000 were procured through quotations without any evidence in the form of a declaration of interest (OMD4). - Management did not properly oversee the measurability of the targets set and did not properly review the information per the performance management system. Management further failed to link the integrated development plan's objectives to the performance targets on the performance management system, due to a lack of review by management. (In terms of Chapter 3 of the National Treasury's Framework for Managing Programme Performance Information) - The municipality did not comply with section 63 (2) (a) and (c) of the MFMA. The municipality did not take all reasonable steps to ensure that the municipality maintains a management, accounting system for the assets of the municipality. - The municipality did not fully comply with the following sections of the MFMA relating to the budget process - Section 15, 29(2), 69(1), 70(1) and 72(1) - The municipality did not comply with Section 13(c) of Supply Chain Management Regulations, 2005, as they did not obtain a declaration of interest from all suppliers from whom goods and services with a transaction value exceeding R10 000 were procured from. 		

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
38 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
38.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS		
Opening balance	-	-
Council subscriptions	315 851	464 182
Amount paid - current year	(315 851)	(464 182)
Balance unpaid (included in creditors)	-	-
38.2 Audit fees - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year audit fee	1 779 109	1 072 023
External Audit - Auditor-General	1 779 109	1 072 023
Amount paid - current year	(1 779 109)	(1 072 023)
Balance unpaid (included in creditors)	-	-
38.3 VAT - [MFMA 125 (1)(b)]		
Opening balance	(368 907)	(365 655)
Amounts received - current year	1 031 595	1 793 294
Amounts claimed - current year	(727 780)	(1 796 546)
Closing balance - Receivable	(65 092)	(368 907)
Vat in suspense due to cash basis of accounting		
Input VAT	(48 669)	(123 872)
Output VAT	-	-
Receivable	(113 761)	(492 779)
VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.		
38.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	7 214 735	7 550 387
Amount paid - current year	(7 214 735)	(7 550 387)
Balance unpaid (included in creditors)	-	-
38.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	12 820 429	11 936 337
Amount paid - current year	(12 820 429)	(11 936 337)
Balance unpaid (included in creditors)	-	-
38.7 Quotations awarded - Supply Chain Management		
Deviations from the Supply Chain Management Regulations were identified on the following categories:		
Deviations per type		
- 3 Quotes not obtained	670 347	
- Invoice amount and order amount differ		
- Other		
- Splitting of orders		
	670 347	
Deviations per financial category		
- Between R 0 and R 2 000		-
- Between R 2 000 and R 10 000	155 679	336 217
- Between R 10 000 and R 30 000	90 465	427 308
- Between R 30 000 and R 200 000	214 208	742 598
- Above R 200 000	209 996	2 027 610
	670 347	3 533 733

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

39

FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

	2012 R	2011 R
0.5% (2011 - 0.5%) Increase in interest rates	(58 485)	(46 576)
0.5% (2011 - 0.5%) Decrease in interest rates	58 485	46 576

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The entity only deposits cash with major banks with high quality credit standing. The banks utilised by the municipality are all listed on the JSE. The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Receivables are individually evaluated annually at Balance Sheet date for impairment.

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
Financial assets exposed to credit risk at year end are as follows:		
Receivables from exchange transactions	683 444	160 300
Receivables from non-exchange transactions	1 446 503	1 603 019
Cash and Cash Equivalents	141 151	1 429 810
Non-Current Investments	330 832	228 160
	<u>2 643 462</u>	<u>3 421 288</u>

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2012				
Long Term liabilities	1 726 886	1 900 304	542 181	-
Capital repayments	1 430 469	1 507 489	472 957	-
Interest	296 417	392 815	69 224	-
Provisions Landfill Sites	-	-	-	131 825 509
Capital repayments	-	-	-	125 548 104
Interest	-	-	-	6 277 405
Payables from exchange transactions	1 607 047	-	-	-
Unspent conditional government grants and receipts	2 111 705	-	-	-
Cash and Cash Equivalents	2 109 488			
	<u>7 555 126</u>	<u>1 900 304</u>	<u>542 181</u>	<u>131 825 509</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2011				
Long Term liabilities	2 042 505	3 627 186	542 181	-
Capital repayments	1 550 486	2 937 957	472 957	-
Interest	492 019	689 229	69 224	-
Provisions Landfill Sites	-	-	-	131 825 509
Capital repayments	-	-	-	125 548 104
Interest	-	-	-	6 277 405
Payables from exchange transactions	3 844 119	-	-	-
Unspent conditional government grants and receipts	3 619 870	-	-	-
	<u>9 506 494</u>	<u>3 627 186</u>	<u>542 181</u>	<u>131 825 509</u>

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

40	FINANCIAL INSTRUMENTS	2012 R	2011 R
	Financial instruments of the municipality are classified as follows:		
	The fair value of financial instruments approximates the amortised costs as reflected below.		
40.1	<u>Financial Assets</u>	<u>Classification</u>	
	Investments		
	Unlisted and listed Investments	Financial instruments at amortised cost	330 832 228 160
	Receivables		
	Receivables from exchange transactions	Financial instruments at amortised cost	287 846 160 300
	Receivables from non-exchange transactions	Financial instruments at amortised cost	1 446 503 1 603 019
	Short-term Investment Deposits		
	Call Deposits	Financial instruments at amortised cost	136 951 -
	Bank Balances and Cash		
	Bank Balances	Financial instruments at amortised cost	- 1 425 810
	Cash Floats and Advances	Financial instruments at amortised cost	4 200 4 000
		2 247 863	3 421 288
	SUMMARY OF FINANCIAL ASSETS		
	Financial instruments at amortised cost	2 247 863	3 421 288
	At amortised cost	2 247 863	3 421 288
40.2	<u>Financial Liability</u>	<u>Classification</u>	
	Long-term Liabilities		
	Annuity Loans	Financial instruments at amortised cost	1 958 300 2 618 380
	Capitalised Lease Liability	Financial instruments at amortised cost	22 146 792 534
	Non-Current Provisins - Landfill Sites	Financial instruments at amortised cost	6 644 290 6 007 826
	Payables from exchange transactions		
	Trade creditors	Financial instruments at amortised cost	1 073 346 3 254 228
	Sundry Deposits	Financial instruments at amortised cost	53 746 51 611
	Other	Financial instruments at amortised cost	66 325 2 239 216
	Other Payables		
	Government Subsidies and Grants	Financial instruments at amortised cost	2 111 705 3 619 870
	Current Portion of Long-term Liabilities		
	Annuity Loans	Financial instruments at amortised cost	660 080 601 893
	Capitalised Lease Liability	Financial instruments at amortised cost	770 389 948 592
	Bank Balances and Cash		
	Bank Balances	Financial instruments at amortised cost	2 109 488 -
		15 469 815	20 134 151
	SUMMARY OF FINANCIAL LIABILITY		
	Financial instruments at amortised cost	15 469 815	20 134 151
41	EVENTS AFTER THE REPORTING DATE		
	The municipality has no events after reporting date during the financial year ended 2011/2012.		
42	IN-KIND DONATIONS AND ASSISTANCE		
	The municipality did not receive any in-kind donations or assistance during the year under review.		
43	PRIVATE PUBLIC PARTNERSHIPS		
	Council has not entered into any private public partnerships during the financial year.		

OVERBERG DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
44	CONTINGENT LIABILITY		
	Pending claim relating to a labour dispute with an employee		1 500 000
	The possible claim that was disclosed in the previous financial year was still not resolved. During the current financial year a second senior official was dismissed which may also result in a claim against the municipality. No indication of a possible outcome could be obtained and also no possible amount for the claims could be obtained.		
45	RELATED PARTIES		
	Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.		
	The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.		
45.1	Related Party Loans		
	Since 1 July 2004 loans to councillors and senior management employees are not permitted.		
45.2	Compensation of key management personnel		
	The compensation of key management personnel is set out in note to the Annual Financial Statements.		
45.3	Other related party transactions		
	The following purchases were made during the year where Councillors or staff have an interest:		
	<i>None</i>		
46	GOING CONCERN ASSUMPTION		
	The definition of a going concern is that there is no reason to believe that an institution will have to close down or be liquidated within 12 months after the reporting date. The financial statements for this municipality has been prepared, as indicated in the accounting policy, on a going concern assumption as allocations of equitable share have been promulgated in the Division of Revenue Act for the three financial years following after the reporting date.		
	The financial results however may indicate that the going concern assumption of this municipality may be in serious doubt. The amounts promulgated in the DORA have a serious impact on the level of services that this municipality can render and it may well raise doubt about the future financial sustainability of this municipality and may cause serious health and other risks regarding service delivery to the communities within the jurisdiction of this municipality.		

APPENDIX A - Unaudited
OVERBERG DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2011	Correction	Balance at 30 JUNE 2011 Restated	Redeemed written off during the period	Balance at 30 JUNE 2012
ANNUITY LOANS								
INCA	9.30%		31/12/2014	1 972 897	-	1 972 897	500 911	1 471 986
INCA	9.45%		31/12/2019	1 247 377	-	1 247 377	100 982	1 146 395
Total Annuity Loans				3 220 274	-	3 220 274	601 893	2 618 380
LEASE LIABILITY								
Vehicles and Equipment				1 741 127	-	1 741 127	948 592	792 534
Total Lease Liabilities				1 741 127	-	1 741 127	948 592	792 534
TOTAL EXTERNAL LOANS				4 961 400	-	4 961 400	1 550 486	3 410 915

APPENDIX B - Unaudited
OVERBERG DISTRICT MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012
MUNICIPAL VOTES CLASSIFICATION

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
1 613 076	(8 883 515)	(7 270 438)	Council Expenditure	1 411 925	(5 481 857)	(4 069 931)
562 806	(3 658 659)	(3 095 853)	Executive Services	267 729	(2 551 222)	(2 283 493)
-	(310 502)	(310 502)	Donations	-	(12 250)	(12 250)
34 927	(2 582)	32 345	Shared Services	-	-	-
-	(832 074)	(832 074)	Management Support	-	(1 509 425)	(1 509 425)
1 482 573	(6 362 014)	(4 879 441)	Administration	1 669 834	(3 495 855)	(1 826 021)
-	-	-	Audit	-	(437 159)	(437 159)
-	-	-	Human Resources	-	(1 227 537)	(1 227 537)
-	-	-	Supply Chain Management	-	(1 608 580)	(1 608 580)
-	-	-	Finance Inc Exp & It	-	(3 033 641)	(3 033 641)
294 753	(513 627)	(218 874)	Buildings	13 947	(562 372)	(548 425)
2 371 188	(17 773 032)	(15 401 844)	Financial Services	2 229 072	(5 661 572)	(3 432 499)
-	(20 260)	(20 260)	IDP Projects	-	-	-
97 363	(2 178 739)	(2 081 376)	Planning Services	-	(2 112 767)	(2 112 767)
41 205 415	(744 501)	40 460 914	Grants Ex Nat Government	43 586 972	(1 894 972)	41 692 000
1 194 200	(1 194 200)	-	Grants Ex Prov Government	150 000	(150 000)	-
982 075	(982 075)	-	Fin Man Grant	2 242 268	(2 237 345)	4 923
-	-	-	Soccer 2010	-	-	-
566 623	(12 974 040)	(12 407 418)	Fire Brigade	52 102	(14 465 855)	(14 413 753)
-	-	-	Disaster Management	-	(249 935)	(249 935)
28 772	(8 177 203)	(8 148 431)	Municipal Health	30 757	(8 985 458)	(8 954 701)
477 662	(1 331 437)	(853 775)	Human Development	6 113	(566 577)	(560 464)
9 070	(238 036)	(228 966)	Velapi Hostel	8 881	(431)	8 451
-	(265 531)	(265 531)	ABI Fire Fighting	-	(245 666)	(245 666)
-	-	-	Environmental Management	-	(146 269)	(146 269)
-	(175 981)	(175 981)	Engineering Services	-	(169 392)	(169 392)
4 177 476	(3 362 218)	815 258	Karwyderskraal	1 790 156	(2 466 512)	(676 357)
-	(112 955)	(112 955)	Buffeljachtsbaai	-	(1 222 750)	(1 222 750)
2 231 944	(3 124 595)	(892 651)	Dennehof	2 415 499	(3 262 209)	(846 710)
1 814 274	(1 552 270)	262 003	Die Dam	1 756 694	(1 542 026)	214 668
6 803 065	(6 885 858)	(82 794)	Uilenkraalsmond	6 844 033	(6 104 961)	739 072
35 773	-	35 773	Outspans & Public Places	37 455	-	37 455
123 591	(106 915)	16 676	Comprehensive Health	103 467	(103 467)	-
37 977 641	(37 977 641)	-	Roads - Main & Divisional	39 094 442	(39 094 442)	-
104 084 266	(119 740 459)	(15 656 193)	Sub Total	103 711 348	(110 602 504)	(6 891 156)
-	-	-		-	-	-
104 084 266	(119 740 459)	(15 656 193)	Total	103 711 348	(110 602 504)	(6 891 156)

APPENDIX C - Unaudited
OVERBERG DISTRICT MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
44 575 498	(15 623 452)	28 952 046	Executive & Council	45 416 626	(12 036 885)	33 379 742
1 812 253	(6 878 222)	(5 065 970)	Corporate Services	1 683 781	(5 285 765)	(3 601 984)
3 353 263	(18 755 107)	(15 401 844)	Financial Services	4 471 340	(12 541 137)	(8 069 796)
97 363	(2 374 980)	(2 277 616)	Planning & Development	-	(2 282 159)	(2 282 159)
123 591	(106 915)	16 676	Health	103 467	(103 467)	-
477 662	(1 331 437)	(853 775)	Community & Social Services	6 113	(712 846)	(706 733)
566 623	(13 239 572)	(12 672 949)	Public Safety	52 102	(14 961 456)	(14 909 354)
10 885 055	(11 675 678)	(790 623)	Sport & Recreation	11 053 681	(12 131 946)	(1 078 265)
37 841	(8 415 239)	(8 377 398)	Environmental Protection	39 638	(8 985 889)	(8 946 251)
4 177 476	(3 362 218)	815 258	Waste Management	1 790 156	(2 466 512)	(676 357)
37 977 641	(37 977 641)	-	Road Transport	39 094 442	(39 094 442)	-
						-
104 084 266	(119 740 459)	(15 656 193)	Total	103 711 348	(110 602 504)	(6 891 156)

APPENDIX D - Unaudited
OVERBERG DISTRICT MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2011	Correction of error	Balance 1 JULY 2011	Grants Received	Interest Received	Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2012
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS							
	R	R	R	R	R	R	R
<u>National Government Grants</u>							
Equitable Share	-	-	-	41 692 000	-	41 692 000	-
Local Government Financial Management Grant	959 846	-	959 846	1 250 000	-	2 242 268	(32 422)
Municipal Infrastructure Grant	64 244	-	64 244	-	-	64 244	-
Municipal Systems Improvement Grant	527 537	-	527 537	790 000	-	1 326 647	(9 110)
Total National Government Grants	1 551 627	-	1 551 627	43 732 000	-	45 325 159	(41 532)
<u>Provincial Government Grants</u>							
Napier Tourism Office	1 381	-	1 381	-	58	-	1 438
Local Economic Development	20 134	-	20 134	-	842	-	20 976
Non - motorised Transport	6 836	-	6 836	-	286	-	7 122
Spatial Development Framework	840 994	-	840 994	-	35 187	-	876 181
SETA Training Fund	353 761	-	353 761	308 379	-	39 981	622 159
Tourism Routes	58 141	-	58 141	-	2 433	-	60 573
Human Rights Programme	95 778	-	95 778	-	4 007	-	99 786
Kogelberg Biosphere	24 558	-	24 558	-	1 027	-	25 585
Breede River Spatial Development Framework	13 509	-	13 509	-	565	-	14 074
Tourism Workshops	19 288	-	19 288	-	807	-	20 095
Tourism Projects	108 977	-	108 977	-	4 560	-	113 537
Housing Training	211 909	-	211 909	-	8 866	-	220 775
CDW Funds	4 918	-	4 918	-	206	-	5 124
Alcohol Abuse	2 259	-	2 259	-	-	1 680	579
Bulk Waste Water Infrastructure	305 800	-	305 800	-	-	305 800	-
EPWP Grant	-	-	-	182 000	-	158 300	23 700
Health and Road Subsidy	-	-	-	35 558 698	-	35 558 698	-
Financial Management Support Grant	-	-	-	150 000	-	150 000	-
Global Funds	-	-	-	-	-	-	-
Total Provincial Government Grants	2 068 243	-	2 068 243	36 199 077	58 844	36 214 459	2 111 705
<u>Other Grant Providers</u>							
Uilenkraalsmond Sewerage Public Contribution	-	-	-	-	-	-	-
Total Other Grant Providers	-	-	-	-	-	-	-
Total	3 619 870	-	3 619 870	79 931 077	58 844	81 539 618	2 070 173